

**REPORT/RECOMMENDATION TO THE BOARD OF SUPERVISORS  
OF SAN BERNARDINO COUNTY, CALIFORNIA  
AND RECORD OF ACTION**

June 24, 2003

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**FROM:**           **MARK H. UFFER**, Director  
                    Arrowhead Regional Medical Center

**SUBJECT:**       **AMENDMENT NO. 1 TO AGREEMENT NO. 98-233 WITH PROFESSIONAL HOSPITAL  
                    SUPPLY**

**RECOMMENDATION:** Approve Amendment No. 1 to Agreement No. 98-233 with Professional Hospital Supply, extending the term of the Agreement to July 31, 2003, for a "Just in Time" (JIT) logistics program used to furnish supplies to the Medical Center, its associated Family Health Centers, the Center for Employee Health and Wellness, West Valley Detention Center, Behavioral Health, Public Health, Probation and County Fire.

**BACKGROUND INFORMATION:** This agenda item recommends approval of Amendment No. 1 to Agreement No. 98-233 with Professional Hospital Supply, extending the term of the Agreement by one month, for the provision of a JIT logistics program, used to furnish medical and non-medical supplies to the Medical Center and various County agencies. Per the Board's previous approval, ARMC has conducted an RFP process for delivery of this service beginning in FY 2003-04; this extension will allow continuation of service while the Medical Center prepares a proposed contract for the Board's consideration.

JIT vendors are used as the prime distributor of supplies for the Medical Center and other County agencies; allowing access by the County to Group Purchasing Organization (GPO) pricing and the volume discounts the prime distributor negotiates while maintaining the discounts that are already negotiated by County Purchasing. The JIT logistics program helps to consolidate critical inventoriable supplies and expedites delivery of non-critical supplies with one vendor; this approach provides standardization, minimizes duplication of supplies and eliminates the need to issue purchase orders to various vendors.

On April 28, 1998, the Board of Supervisors approved Agreement No. 98-233 with Professional Hospital Supply (PHS) to provide a JIT logistics program to furnish supplies to the Medical Center and various County agencies. Agreement No. 98-233 with PHS expires June 30, 2003.

On April 8, 2003, the Board of Supervisors authorized the Medical Center to issue a Request for Proposals (RFP) for a new JIT logistic program vendor. The RFP was released and proceeded as scheduled through the vendor selection in May 2003. The Medical Center received proposals from Cardinal Health, McKesson Corporation, Owen and Minor, Inc. and Professional Hospital Supply.

A panel of selected Medical Center staff, including Materials Management, Ambulatory Administration, Nursing Administration, Sterile Processing, Hospital Compliance, and a member of the County's Purchasing staff, conducted the initial review of the RFPs. A recommendation was presented to the Medical Center Administrative team, which concurred with the committee's recommendation to pursue an agreement with Professional Hospital Supply (PHS). The criteria used was not only the cost of the services, but also the proposers' ability to provide a quality JIT program. Based on these criteria, the Medical Center selected PHS. Not only did PHS's proposal contain the lowest cost, but they also met the remaining criteria.

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In thoroughly reviewing all the proposals presented, the review panel and Administration found that PHS is best suited to provide a JIT program for the Medical Center. The vendor met all of the RFP requirements, is able to offer the Medical Center a competitive fee schedule and the necessary service as required by a JIT vendor. Cardinal Health, McKesson Corporation and Owen and Minor, Inc. were not chosen because their proposed costs were significantly higher than that proposed by PHS.

The Medical Center is currently working with PHS to negotiate terms of the Agreement and expects to present the Agreement to the Board of Supervisors for approval upon completion of negotiations and prior to the end of this extension. To ensure uninterrupted services, the Medical Center requests that the Board extend the current Agreement with PHS to July 31, 2003 pending the new Agreement.

**REVIEW BY OTHERS:** This item has been reviewed by County Counsel (Charles J. Larkin, Deputy County Counsel) on June 13, 2003, and HSS Administration (Carol Hughes, Administrative Analyst) on June 16, 2003.

**FINANCIAL IMPACT:** Approval of Amendment No. 1 to Agreement No. 98-233 with Professional Hospital Supply will result in an additional cost to the Medical Center of \$25,051.88. Currently the Medical Center has expended \$300,622.56 this fiscal year. The additional cost of \$25,051.88 will be covered by current Medical Center appropriations.

**COST REDUCTION REVIEW:** The County Administrative Office recommends this action because these services provide a cost saving to the County by alleviating its need for internal warehousing of medical and non-medical supplies. Additional costs will be covered by current Medical Center appropriations.

**SUPERVISORIAL DISTRICT(S):** All

**PRESENTER:** June Griffith-Collison, Chief Operating Officer, Arrowhead Regional Medical Center, 580-6150

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